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Message Text

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C O N F I D E N T I A L STATE 226249

FOLLOWING REPEAT JAKARTA 11953 SEP 13.

QUOTE C O N F I D E N T I A L JAKARTA 11953

E.O. 11652: GDS
TAGS: EGEN, ECON
SUBJECT: MEETING WITH MINISTER WIDJOJO

REFS: A. STATE 181094 B. JAKARTA 10353

1. I HAVE APPOINTMENT SEPT. 14 AT 1600 HOURS LOCAL WITH MINISTER OF PLANNING WIDJOJO WHO IS CURRENTLY KEY MAN ON POLICIES RELATING TO OIL NEGOTIATIONS, NIEO, AND INVESTMENT CLIMATE. APPOINTMENT AT MY REQUEST PRIMARILY TO DISCUSS NIEO ISSUES.

2. DURING WEEKEND I HAD OPPORTUNITY DISCUSS WIDJOJO'S CURRENT VIEWS WITH BAPPENAS ADVISOR AND FORMER AMBASSADOR TO U.S. SOEDJATMOKO. WIDJOJO HAD CALLED SOEDJATMOKO LAST WEEK FOR THREE-HOUR PRIVATE DISCUSSION.

3. SOEDJATMOKO COMMENTED THAT CONTRARY TO HIS EARLIER ESTIMATE, WIDJOJO WAS NEITHER "POLITICIZED" NOR "RADICALIZED." HIS APPARENTLY EXPANDED ROLE IN BOTH INTERNAL AND EXTERNAL ECONOMIC MATTERS COMES FROM HIS PERCEPTION AS TECHNOCRAT OF THINGS THAT NEED TO BE DONE AND HIS DETERMINATION TO
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CARRY THEM OUT. SOEDJATMOKO HAS IMPRESSION THAT IN SOME

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INSTANCES WIDJOJO IS AHEAD OF PRESIDENT SUHARTO ALTHOUGH HE HAS LATTER'S FIRM SUPPORT. FOLLOWING ARE COMMENTS ATTRIBUTED TO WIDJOJO.

4. OIL NEGOTIATIONS: WIDJOJO SAID HE WAS CONVINCED UPON REVIEWING SITUATION FOLLOWING FALL OF IBNU THAT INDONESIA DESERVED MUCH BETTER DEAL WITH OIL COMPANIES AND HE SET OUT TO GET IT. HE FEELS THAT COMPANIES STILL HAVE ADEQUATE MARGIN AND IS INCLINED TO BE SKEPTICAL REGARDING THEIR GLOOMY PREDICTIONS ON FUTURE INVESTMENTS. HE EMPHASIZED TO SOEDJATMOKO THAT INITIATIVE WAS HIS, NOT PRESIDENT'S, ALTHOUGH PRESIDENT SUPPORTED HIM. HE SAID HE HAD OPPOSITION WITHIN GOVERNMENT. HE GAVE IMPORTANT CREDIT TO MINISTER OF TRADE RADIUS PRAWIRO WHOSE EXPERIENCE AS ACCOUNTANT HELPED WIDJOJO UNDERSTAND COMPLEXITIES OF PROBLEM AS HE NEVER HAD BEFORE. IN ADDITION, WIDJOJO STRESSED THAT HE HAD MADE USE OF TWO AMERICAN FIRMS AS ADVISORS, ARTHUR YOUNG AND PRICE WATERHOUSE.

5. NEIO: WIDJOJO ATTRIBUTED HIS RECENT EMPHASIS ON PARTICIPATION IN G-77, UNCTAD AND CIEC TO HIS CONVICTION THAT DEVELOPING COUNTRIES FACE GENUINE PROBLEMS AND THAT NEW SOLIDARITY OF DEVELOPING COUNTRIES PROVIDES POSSIBLE BASIS FOR IMPROVEMENT, PARTICULARLY WITH RESPECT COMMODITIES AND DEBTS. ACCORDING TO SOEDJATMOKO, WIDJOJO IS UNHAPPY WITH POSITION OF U.S. AT CIEC WHICH HE SEES AS FILIBUSTER. HE SEEMS PARTICULARLY PUT OUT THAT U.S. IN ITS PRESENTATION MADE NO REFERENCE TO G-77 PROPOSALS. WIDJOJO STRESSED THAT THESE WERE SERIOUS PROPOSALS, FRAMED AFTER MUCH WORK, AND THEY REPRESENTED ALTERNATIVES TO PROPOSALS MUCH LESS PALATABLE TO INDUSTRIAL COUNTRIES. HE IS SKEPTICAL ABOUT GENUINENESS U.S. INTEREST IN PROBLEMS OF DEVELOPING COUNTRIES.

6. INVESTMENT CLIMATE: TO ILLUSTRATE TO SOEDJATMOKO THAT BASIC INDONESIAN POLICIES TOWARD FOREIGN INVESTMENT HAVE NOT CHANGED, WIDJOJO POINTED TO COMPROMISES WITHIN GOVERNMENT MADE IN FORM OF NEW "THIRD GENERATION" MINING CONTRACT AND TO FACT THAT MEMORANDUM OF UNDERSTANDING WILL BE INITIALED THIS WEEK FOR IMPORTANT DOW PETROCHEMICAL COMPLEX IN SUMATRA. WIDJOJO'S VIEW IS THAT INDONESIA, WHILE NOT CONFIDENTIAL

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CHANGING ITS POLICIES, IS LEARNING MORE ABOUT OPERATIONS OF FOREIGN INVESTMENT AND IS SEEKING TO PLUG LOOPHOLES.

7. SUBJECT TO ANY VIEWS DEPARTMENT MAY HAVE, I WOULD PLAN IN MEETING WITH WIDJOJO TO SPEAK ALONG FOLLOWING LINES:

8. OIL NEGOTIATIONS: EMBASSY HAS REMAINED APART FROM OIL NEGOTIATIONS WHICH IT CONSIDERED BASICALLY MATTER BETWEEN

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INDONESIAN GOVERNMENT AND PRIVATE COMPANIES. WE HAVE OBSERVED THAT COMPANIES APPEAR TO BE SERIOUSLY RECONSIDERING FUTURE INVESTMENT PLANS. SINCE THIS IS OBVIOUSLY IMPORTANT TO INDONESIA AS WELL AS TO OTHER COUNTRIES WITH INTERESTS IN INDONESIA, WE PRESUME GOI IS DETERMINING POSSIBLE EFFECTS OF RECENT NEGOTIATIONS AND IS PREPARED TO MAKE ADJUSTMENTS IN INTEREST OF INSURING FUTURE INVESTMENTS. EMBASSY HAS WELCOMED RECENT DIRECT GOI EFFORTS TO REASSURE COMPANIES REGARDING FUTURE, BELIEVING PATTERN OF COMMUNICATIONS IS IMPORTANT TO NECESSARY CONFIDENCE.

9. NIEO: I WOULD SEEK TO REASSURE WIDJOJO REGARDING SERIOUSNESS OF U.S. IN ITS PROPOSALS ON INTERNATIONAL ECONOMIC ISSUES, POINTING TO DISTINCT CHANGES IN U.S. POLICY WHICH HAVE TAKEN PLACE AND WILLINGNESS OF U.S. TO JOIN CONSULTATIONS ON COMMON FRONT. BELIEVE IT IS IMPORTANT TO STRESS TO WIDJOJO THAT UNDER OUR SYSTEM WE CANNOT MAKE BROAD COMMITMENTS TO PROPOSAL WITHOUT KNOWING PRECISELY WHAT PROPOSAL ENTAILS IN FINANCIAL AND OTHER OBLIGATIONS. I WOULD ALSO STRESS THAT ISSUE IS NOT WHETHER WE RESPOND BUT WHETHER PRECISE SOLUTIONS TO ISSUES SHOULD BE AGREED TO BEFORE THERE IS THOROUGH DISCUSSION OF DETAILS. I WILL DRAW ON DEPTEL 181094 AND JAKARTA 10353.

10. PRIVATE INVESTMENT: WHILE EMBASSY HAS NOT YET STUDIED THIRD GENERATION MINING CONTRACT AND IS NOT IN POSITION TO COMMENT, WE WELCOME ASSURANCE OF CONTINUED INDONESIAN INTEREST IN PRIVATE INVESTMENT. FOR SEVERAL REASONS RECENT INVESTMENT CLIMATE HAS SUFFERED AND WE BELIEVE EFFORTS TO IMPROVE IT ARE IMPORTANT. CENTRAL TO IMPROVEMENT IS ALSO DEGREE TO WHICH INDONESIA CAN REASSURE COMPANIES REGARDING LONGER TERM STABILITY OF CONTRACTS.
NEWSOM UNQTE: ROBINSON
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